INTRADAY STOCK PRICE AND VOLUME BEHAVIOUR AND
THEIR RELATIONSHIP IN
THE KUALA LUMPUR STOCK EXCHANGE

Lim Eng Kooi

A dissertation submitted to
the Faculty of Economics and Administration, University of Malaya, Kuala Lumpur,
in partial fulfilment of the requirements for the degree of
Master of Economics

1996

Abstract

The KLSE returns form a U-shape with a peak in the first 15-minute interval of trading and another peak at the last 15-minute closing interval. However, the return is unstable and does not follow a normal distribution. The day-of the-week effects for return and volume are only found in subperiods 3 and 1, respectively, while time-of-the-day effects for both return and volume are noted for all the subperiods. There is higher day-end volume which is a few times higher than that of other intraday sessions. Even though there are some changes in the speed of the price adjustment, it is not statistically proved. Positive relationship between absolute return and volume is detected from the contemporaneous analysis. The slope for the positive returns appears to be greater than when the returns are nonpositive. The Granger causality between return and volume observed in the KLSE seems to imply that volume contains useful information in predicting returns and vice versa.

Acknowledgement

I am deeply indebted to my supervisor, Professor Dr Kok Kim Lian, who has so patiently guided me during the preparation of this dissertation until the completion.

I am also grateful to my employer, Kuala Lumpur Stock Exchange for granting me access to most of the information pertaining to the stock market as well as the study facilities provided. In particular, I would like to express my sincere thanks to my superior, Miss Qua Gek Kim and Miss Winnie Choong and also my colleagues for their great support and encouragement.

My heartfelt appreciation to lecturers, coursemates, tutors and friends from MIER, Bank Negara, ISIS, RAM, broking houses, etc for their fruitful discussion and comments. Special credit to CC, PW, Vincent, housemates at 206 and friends for their constant moral support.

to PA, MA, Brothers and Sisters, with love

CONTENTS

List of Tables and Charts

Chart